ANNUAL REPORT 2000

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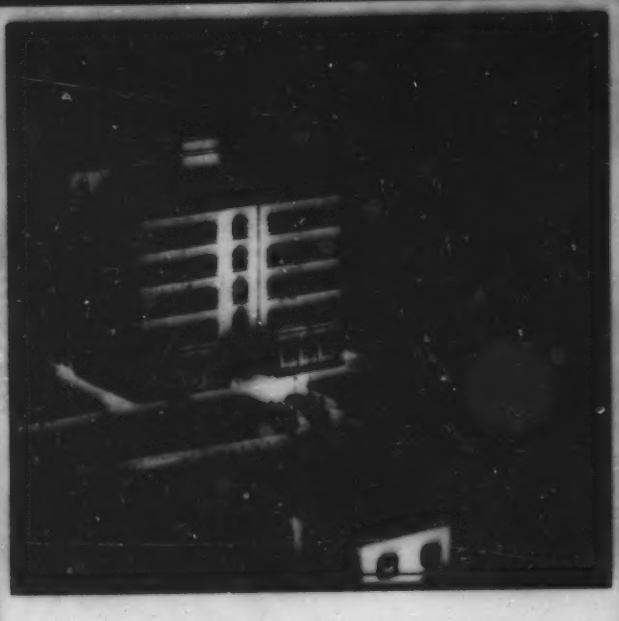
The Beginning of Commerce in Hamilton Harbour

Even since First Nations people began paddling to other waters many centuries ago, the bay we now call Hamilton Harbour has been recognized as a place of commerce. Although its marshes provided an abundance of fish and game to a largely transient population of small importance was a number of strategic landing sites along the shoreline which allowed the natives direct access to their traditional web of inland trade routes. In essence, Hamilton Harbour was servicing the entrepreneurial spirit of First Nations communities long before the arrival of Europeans.

Although French adventurer Etienne Brûlé (1610) and Recollet Missionary Joseph Le Caron (1626) were likely among the earliest Europeans to be guided into the bay's protected waters, it was explorer Rene-Robert Cavelier, Sieur de LaSalle who was the first to officially record his visit in September, 1669.

It was not until 120 years later that native Richard Beasley established a fur trading post on the eastern shore of the harbour just below the site of present day Dundurn Castle. Situated by Burlington, wife of the John Graves Simcoe, during her journey west in 1793, Beasley's complex consisted of a cabin, log stable and a wharf which stretched out over 300 feet into the water. Believed to be the first person to establish a commercial business on the harbour, Beasley's primary concern was a variety of pelts which he had gained an trade from the Mississauga natives in exchange for his utensils and tools. When the land he stood began to flourish a few years later, Beasley was forced to relocate, in order to provide the necessities of western life to the people of new settlers, his customers among Aboriginal bands were of course, to their dismay, expendable and sold.

Beasley's inventory of goods usually stored by barrels through the winter months, was the second largest stock of its kind in Upper Canada, being surpassed only by that of Robert Hamilton's store at Queenston. Many native hunting parties would arrive in the fall of 1812 after the long journey of trapping, with furs already consigned to Montreal merchants. A fur trader himself, Beasley would then purchase the furs from the natives and ship them to Montreal on the annual fur brigade that left Montreal every spring, returning with trade goods from England and York.



Over the course of the next 100 years, Hamilton Harbour and its surrounding community literally sprang to life. This phenomena was aided in great measure by the 1823 dredging of a proper canal into the bay from Lake Ontario. With further modifications carried out to the canal in 1831 and a 78 foot high stone lighthouse erected the following year, much larger vessels were now assured safe passage into harbour waters without fear of running aground.

Along with the increase in mercantile shipping came two enormous waves of Irish immigration in the 1830's and 1840's. By the latter half of the century, the Grand Trunk Railway and many industries had already located along the Harbour's shoreline.

The Harbour also offered Hamiltonians great year round opportunities for recreation. Enjoyed on a regular basis were swimming and boating in the summer, skating and curling during the winter, and before the enactment of fish and game laws – hunting, fishing and trapping at any time.

In 1911, Hamilton City Council, feeling overburdened in managing the sprawling Harbour, petitioned the Federal Government to form an independent governing body to administer harbourfront activity. Consequently, on April 1st, 1912, an Act of Parliament created the Hamilton Harbour Commissioners.

The Commissioners can now reflect with pride on 88 years of progress and accomplishment. Through continual foresight and a tradition of effective management, the Port of Hamilton has evolved into which is arguably, the finest seaport on the Great Lakes.

Message from the Chairman

The year 2000 marked the resolution of a lengthy dispute between the City of Hamilton and The Hamilton Harbour Commissioners. With a substantial transfer of lands to the city, this historic settlement conveys the west harbour area to the city while the eastern harbour area will continue to highlight shipping, commercial and industrial activity under the guidance of the Commissioners.

With the first council of the new City of Hamilton and the Commissioners moving towards a new governance structure, there is a tremendous opportunity to enhance the perception of the Port of Hamilton as both a recreational oasis and a vital economic engine. With the recreational future of the harbour enshrined, we can continue in our efforts to realize the tremendous potential afforded by the commercial component of the port to provide jobs and broaden the tax base of the new city.

It should not be lost that of the total Hamilton area GDP of $17.8 billion, approximately $5.6 billion is directly and indirectly related to operations of the Hamilton Harbour.. The Port of Hamilton's proximity to major North American markets is also a significant factor in the future development of a whole new range of industry and commerce that will continue to spring up where only heavy industry existed in the past.

Overall, we anticipate that the port will now be a more efficient operation with the Eastport development expanding its role as the centre of new cargo handling activity.

As we enter a new era of understanding and co-operation, there truly exists at every level an opportunity to advance the fortunes of the new city and the port in tandem. The staff and Commissioners of The Hamilton Harbour Commissioners look forward to continue to work for the ongoing prosperity and common good of all of our stakeholders.

C. Raymond Harris
Chairman

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C. Raymond Harris
Chairman

The Hamilton Harbour Commissioners

C. Raymond Harris	Brian Hinkley	Laurel Wilson	R.A. Edwards P. Eng.
Chairman	Commissioner	Commissioner	Port Director

Message from the Port Director

The Port of Hamilton posted another successful year for 2000. Overall cargo shipments were up 4.7% over results of last year, a total of over 12 million metric tonnes. Overseas cargo increased by 32.6%, a complete recovery over the previous year to match the more robust results of the 1998 shipping season. Steel products led the way with a substantial increase in imported structural steel (beams, columns, etc.), imported semi-finished steel for further processing at the Port's steel mills and continued growth in the export of Canadian steel by marine transport.

Another unique feature of the shipping season was the increased diversity of general cargo through the Port. Innovative material handling techniques by port terminal operators utilizing one and two tonne tote bags to import and handle plastic resin and sugar is but one example of increased productivity which creates opportunities to further broaden general cargo trade in the Port.

Domestic and US cargo volumes, at 10.5 million tonnes, increased by 1.7%. This reflects as an encouraging sign given that, despite economic challenges, raw materials imported for the steel industry continue at a steady pace. The Port's agricultural terminals continue to import fertilizer and export Ontario grown grain and soybeans to markets in the lower St. Lawrence River and around the globe. Liquid bulk traffic, mainly jet fuel, gasoline, petroleum and vegetable oils, increased by 40% over 1999.

The 2000 navigation season began on March 30th with the arrival of the M.V. Stolt Aspiration, the first time since 1982 that an overseas vessel preceded a lake vessel as first in port. The season ended with the departure of the M.V. Paul Martin on Christmas Day. In total 701 vessels called on the Port in the year 2000, of which 192 were from overseas.

The increases in cargo resulted in an increase of operating revenues by 6.1% over 1999 to $13.7 million. As a result net revenues for the year exceeded expenses by $3.7 million and with the exception of a one time book value loss of $7,317,481 for transfer of certain lands to the City of Hamilton, the Port was able to report net operating earnings for the 17th consecutive year.

Settlement of a lawsuit involving the City of Hamilton and the Federal Government has paved the way for the Corporation's continuance as a Canada Port Authority in 2001. Terms of the settlement included the transfer of 350 acres of Port lands and waterlots to the City and Federal government.

All assets related to the Port's marina facilities were conveyed to the City. Management of key portions of the marina will remain with the Port under a 15-year leasing arrangement to allow sufficient time to plan a long-term strategy for this significant portion of port business.

The Pier 8 overseas terminal was transferred to the City and the Federal Government as well. As part of the transfer agreement, $15.1 million in Federal funds was provided to be expanded over the next two to five years for construction of enhanced port facilities at Pier 26 at Eastport to replace the Pier 8 facility. The overall five year plan for the Port shows forecasted expenditures of more than $49 million to maintain and improve port infrastructure.

Port operations in the future will be managed under The Hamilton Port Authority. In their departing wake, The Hamilton Harbour Commissioners together with management and staff, leave behind a legacy of dedicated, successful Harbour management and almost a century of unparalleled achievement. We now look ahead to fulfilling our ongoing commitment by continually improving and expanding Port facilities to meet existing and future client and community needs.

R.A. Edwards P. Eng.
Port Director

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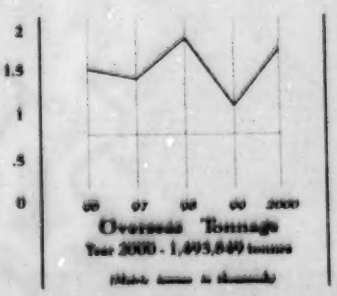
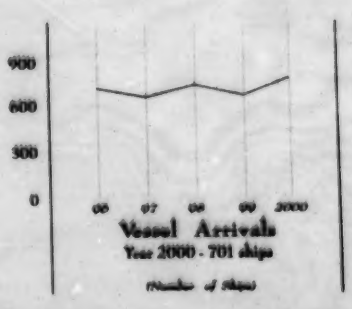
R.A. Edwards P.Eng.
Port Director





By the late 19th century recreational boating on the warm waters of the bay was continually growing in popularity.

INSET:
The Hamiltonian carried passengers from the foot of James Street to the Burlington Canal and LaSalle Park from 1944 until she was destroyed by fire in 1982.

Balance Sheet

As at December 31, 2000

	2000 $	1999 $
Assets		
Current assets		
Cash	1,314,033	1,269,092
Accounts receivable		
Trade	1,607,501	1,270,934
Interest	181,769	58,659
Other	1,129,770	481,093
Inventories	248,876	245,125
Prepaid expenses	159,398	166,390
	4,641,347	3,491,293
Investments appropriated for future harbour improvements (note 4)	31,497,871	13,634,991
Fixed assets (note 5)	58,113,022	63,760,424
	94,252,240	80,886,708
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	3,981,559	2,071,645
Employee future benefits (note 6)	542,117	595,140
Current portion of debentures payable (note 7)	-	25,000
	4,523,676	2,691,785
Contingencies (note 10)		
Equity		
General capital	58,230,693	64,559,932
Reserve for future harbour improvements (notes 4 and 9)	31,497,871	13,634,991
	89,728,564	78,194,923
	94,252,240	80,886,708

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Statement of General Capital

For the year ended December 31, 2000

	2000 $	1999 $
General capital – Beginning of year	64,559,932	65,912,019
Excess of (expenses over revenue) revenue over expenses for the year	(3,566,359)	2,672,904
Allocation to reserve for future harbour improvements (note 4)	(17,862,880)	(3,634,991)
Equity contribution (note 9)	15,100,000	-
Accounting change (note 3)	-	(390,000)
General capital – End of year	58,230,693	64,559,932

Queen Elizabeth II visited Hamilton in 1959 during the St. Lawrence Seaway dedication. Her Majesty is shown with former mayor of Hamilton, Lloyd D. Jackson.

INSET:
It takes a large staff to operate the port efficiently. General staff from 1961 are shown here in front of the Commissioners' building.

Statement of Revenue and Expenses

For the year ended December 31, 2000

	2000 $	1999 $
Revenue from operations	13,732,617	12,944,174
Operating expenses	4,763,235	4,932,805
Income from operations	8,969,382	8,011,369
Administrative, office and general expenses	3,173,626	3,108,833
Interest on debentures payable	516	2,578
Depreciation	3,047,144	2,876,272
Financing income from capital leases	-	(13,022)
Other income	(1,003,026)	(642,806)
Loss on disposal of fixed assets (note 9)	7,317,481	6,610
Excess of (expenses over revenue) revenue over expenses for the year	(3,566,359)	2,672,904

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Auditor's Report to the Commissioners of The Hamilton Harbour Commissioners

March 30, 2001, except for Note 1 which is as of May 1, 2001

We have audited the balance sheet of **The Hamilton Harbour Commissioners** as at December 31, 2000 and the statements of revenue and expenses, general capital and cash flows for the year then ended. These financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the corporation as at December 31, 2000 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Further, in our opinion, the transactions of the corporation that have come to our notice during our examination of the financial statements have, in all material respects, been in accordance with Section 29 of "The Hamilton Harbour Commissioners' Act".

PricewaterhouseCoopers LLP
Chartered Accountants
Hamilton, Ontario

The freighter "Salah El-Din" shown here along Pier 14 in November 1961 was the first Columbian ship to call on The Port of Hamilton.

INSET:
Ship repairs as pictured here in 1955, stevedoring, chandlering and general support services have been critical to port operations over time.

Statement of Cash Flows

For the year ended December 31, 2000

Cash provided by (used in)	2000 $	1999 $
Operating activities		
Excess of (expenses over revenue) revenue over expenses for the year	(3,566,359)	2,672,904
Items not affecting cash		
Depreciation	3,047,144	2,876,272
Loss on disposal of fixed assets	7,317,481	6,610
Difference between employee future benefits expense and amount funded	(53,023)	70,954
	6,745,243	5,626,740
Increase (decrease) in non-cash working capital items related to operations (note 8)	804,801	(483,017)
	7,550,044	5,143,723
Investing activities		
Purchase of fixed assets	(4,717,223)	(1,413,572)
Proceeds on disposal of fixed assets	-	2,600
Increase in investments appropriated for future harbour improvements	(17,862,880)	(3,634,991)
Decrease in net investment in capital lease	-	534,790
	(22,580,103)	(4,511,173)
Financing activities		
Repayment of debentures payable	(25,000)	(50,000)
Equity contribution	15,100,000	-
	15,075,000	(50,000)
Net increase in cash	44,941	582,550
Cash – Beginning of year	1,269,092	686,542
Cash – End of year	1,314,033	1,269,092
Supplemental disclosure of cash flow information		
Interest paid	516	2,578
Interest received	879,916	648,413

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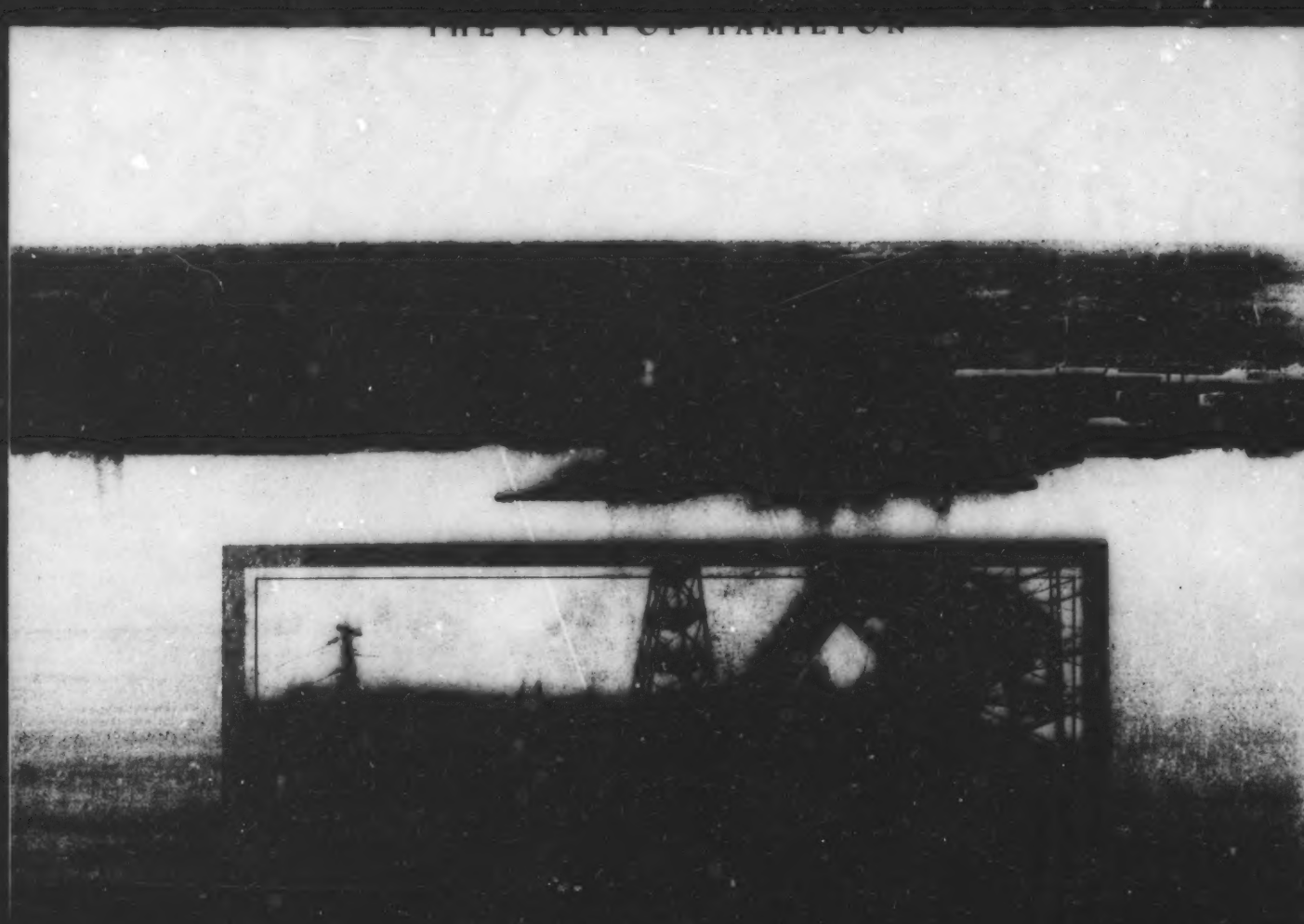
Access to shipping is vital to Hamilton's famous steel industries. The "Peter Reiss" unloads coal at the Port in 1955.

INSET:
Hamilton Harbour's connection to Ontario's agricultural and manufacturing heartland by rail and highway has been key to its' importance as a transportation hub. Picture from York Boulevard 1956.



Notes to Financial Statements

December 31, 2000

1. The Hamilton Harbour Commissioners' Act

The Hamilton Harbour Commissioners (the "Commissioners") is a corporation established and operated pursuant to The Hamilton Harbour Commissioners Act, 2 George V c.98, 1912. The Commissioners mandate is to govern and develop the harbour of Hamilton for the purposes of the Act and to provide a harbour with full facilities for the transportation industry.
The Commissioners was incorporated by special act of Parliament and is a non-taxable corporation under the Income Tax Act.
Pursuant to the Canada Marine Act, the Commissioners continued as the Hamilton Port Authority as of May 1, 2001.

2. Significant accounting policies

Fixed assets

Fixed assets are recorded at acquisition cost. Depreciation is provided on a straight-line basis at rates designated to amortize the cost over the useful lives of the assets as follows:

Docks and harbour improvements	2 – 20%
Buildings	2 – 20%
Vessels and equipment	10 – 20%

Capital development in process

The Commissioners include all costs to develop an asset in the capital development in process category until the project is substantially complete. At that time, the asset is transferred to fixed assets and depreciation is taken according to established policy.

Inventories

Inventories of merchandise are recorded at the lower of cost, determined on a first-in, first-out, basis and replacement cost.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may vary from the current estimates. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the periods in which they become known.

Financial instruments

The carrying amounts of cash, accounts receivable and accounts payable and accrued liabilities approximate fair value due to the short-term maturities of these instruments.

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3. Accounting change

During the year, the Commissioners applied the new accounting recommendations of Section 3461 of the Handbook of the Canadian Institute of Chartered Accountants entitled "Employee Future Benefits". The recommendations recognize the cost of retirement benefits and certain post-employment benefits over the periods in which employees render services to the entity in return for the benefits. Previously, the Commissioners recognized the costs associated with certain of these benefit plans as paid. This change in reporting has been applied prospectively for all employee future benefit plans with the exception of the Supplementary Executive Retirement Plan for which the new accounting recommendations were applied retroactively, with restatement of prior periods. The restatement resulted in a decrease in general capital and increase in employee future benefits of $390,000. The effect of these changes do not have a significant impact on net earnings for the year.

4. Reserve for future harbour improvements

During the year, the Commissioners transferred $17,862,880 (1999 – $3,634,991) into the reserve for future harbour improvements. The total balance in the reserve, amounting to $31,497,871 (1999 – $13,634,991), is set aside for future capital expenditures. The reserve funds are invested in short-term deposits.
The Commissioners have approved a five year capital budget in the aggregate amount of $49,153,000 (1999 – $40,309,000).

5. Fixed assets

	2000			1999
	Cost	Accumulated depreciation	Net	Net
	$	$	$	$
Land	17,114,644	-	17,114,644	18,202,530
Docks and harbour improvements	31,449,720	17,604,055	13,845,665	18,523,120
Buildings	26,670,623	13,144,316	13,526,307	12,602,082
Vessels and equipment	7,233,949	5,385,561	1,848,388	1,962,429
Capital development in progress	11,778,018	-	11,778,018	12,470,263
	94,246,954	36,133,932	58,113,022	63,760,424

The Burlington Ship Canal provides access to the Port of Hamilton. First constructed in 1823, it was widened and deepened many times to its' present size providing passage to the largest of modern seaway draft vessels.

INSET:
To accommodate vehicular traffic across the widened ship canal the bascule bridge, shown near completion in 1922, was built. The bridge was rammed and badly damaged in 1982 by the W. E. Fitzgerald. The present lift bridge was constructed after the overhaul was decreed. This was followed by the building of the Skyway bridge which officially opened in 1988.

Notes to Financial Statements

December 31, 2000

6. Employee future benefits

The Commissioners have non-contributory defined benefit pension plans for salaried employees and C.U.P.E. Local 5167 members. Pension costs are computed on the projected benefit method based on an average expected remaining service life of the employee groups of 15 years for salaried employees and 18 years for C.U.P.E. Local 5167 members. The Commissioners also provide other retirement and post-employment benefits to certain of its hourly and salaried employees. The Commissioners also maintain a Supplementary Executive Retirement Plan ("SERP") in respect of a certain employee.

The following information has been calculated by an independent actuary based on assumptions determined by management for financial statement purposes. Information about the Commissioners' benefit plans as at December 31 is as follows:

	Pension benefit plans and SERP	Other benefit plans
	$	$
Net expense	61,877	29,500
Accrued benefit obligation	6,182,300	225,300
Fair value of plan assets	6,942,016	-
Funded status – plan surplus (deficit)	759,716	(225,300)
Accrued benefit liability	(512,617)	(29,500)
Discount rate	6.75%	6.75%
Expected long-term rate of return on plan assets	7.0%	N/A
Rate of compensation increase	5.5%	N/A
Employer contributions	144,400	-
Benefits paid	329,088	-

7. Debentures payable

The Government of Canada debentures were repaid during the year.

8. Non-cash working capital items

The change in non-cash working capital is comprised of the change in the following items:

	2000	1999
	$	$
Trade accounts receivable	(336,567)	(144,760)
Interest receivable	(123,110)	5,607
Other receivables	(648,677)	126,715
Inventories	(3,751)	(61,806)
Prepaid expenses	6,992	(14,219)
Accounts payable and accrued liabilities	1,909,914	(394,566)
Source (use) of cash	804,801	(483,017)

9. Lawsuit settlement

During November 2000, the Commissioners, The Attorney General for Canada and the City of Hamilton ("the City") settled a lawsuit which had been commenced by the City, which claimed surplus profits, title to certain property, and $100 million for damages for breach of trust from the defendants. The settlement resulted in the transfer to the City and the Government of Canada of certain properties with a net book value of $7,317,481. The transfer of this property, for no consideration, resulted in the Commissioners recording a $7,317,481 loss on disposal during the year. As part of the settlement negotiations, the Government of Canada agreed to make a cash contribution to the Commissioners of $15,100,000. This cash contribution represents an equity injection and has been recorded in 2000 as an increase in the Commissioners' General Capital.

10. Contingencies

The Commissioners has been named as a defendant in a lawsuit commenced by National Petroleum Products Corporation ("NPPC") claiming $900 million for damages for breach of confidentiality and frustration of NPPC's business plan. Although the final outcome cannot be predicted with certainty, the Commissioners, based upon a thorough review of the facts and advice of counsel, believe that the ultimate disposition of this issue will not have a materially adverse effect on the Commissioners' financial position or results of operations.

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